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**PENSION
MUTUAL FUND
LIMITED**

**2nd
ANNUAL REPORT**

Year Ended October 31, 1967

SUITE 405

181 BAY STREET

TORONTO, ONTARIO

Pension Mutual Fund Limited

DIRECTORS

JOHN S. DEACON,
Director and President

Executive 20 Whitney Avenue
Toronto, Ontario

STANLEY R. BRUNTON,
Director

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Sudbury, Ontario

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Director and Secretary

Financial Analyst 52 Timberlane Drive
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Engineer 326 Lytton Boulevard
Toronto, Ontario

ROBERT C. STONE,
Director

Chartered Financial
Analyst 32 Forestbrook Crescent
Agincourt, Ontario

Pension Mutual Fund Limited

Dear Shareholder:

It is a pleasure to report to you on the completion of the most successful year in our Fund's operations accomplished in the face of severe stress in capital markets and rapid shifts in investors' sentiment.

During 1967, international balance of payments problems forced devaluation of the Pound Sterling and extension of the U.S. interest equalization tax. Closer to home an extraordinary increase of the money supply, unrestrained government borrowing, and limited access to U.S. credit sources, led to interest rates unheard of since late 19th century and a proportionate fall in the price of bonds.

Price inflation, one of the causes and effects of continuous full employment and therefore a problem of prosperity, focuses attention on the ownership of real property or stocks which are the evidence of real ownership.

But not all stocks, because many kinds of industry are unable to maintain profit margins within the framework of rising labour and material costs and intense competition.

Most mutual funds, since they provide skilled investment management, have been able to make meaningful investment decisions.

Your Fund, whose total assets increased 73.3% in the past year, fared particularly well. Net asset value per share increased 28% in the year ended October 31, 1967 as compared to an average stock price increase of between 8% and 9%.

To December 29, 1967, there was an additional 8.6% appreciation in net asset value.

The Fund's portfolio derives maximum advantage from investments in:

- 1) Companies possessing extraordinary earnings growth rates, or
- 2) Significant assets in excess of market prices, or
- 3) Unusual technology.

A particularly cordial welcome is extended to all our new shareholders.

We look forward to a comparable high performance and a swift increase in the total assets of the Fund during the current year.

Submitted on behalf of the Board,

Yours truly,

Toronto, Ontario,
December 29, 1967

John S. Deacon,
President.

Pension Mutual Fund Limited
Balance Sheet as at October 31, 1967
With Comparative Figures as at October 31, 1966

ASSETS

	1967	1966
Deposits	\$ 38,108.	\$ 67,180.
Due from broker	35,195.	7,268.
Accrued interest receivable, etc.	568.	848.
Investments at market value (Note 1) (Average Cost, 1967 - \$453,410 1966 - \$327,833)	506,320.	317,111.
	<u>\$580,191.</u>	<u>\$392,407.</u>

LIABILITIES

Due to broker	\$ 10,087.	\$ 65,139.
Accrued liabilities	3,357.	
Income taxes payable		276.
	<u>\$ 13,444.</u>	<u>\$ 65,415.</u>
Net assets at market value	<u>\$566,747.</u>	<u>\$326,992.</u>
Net asset value per share	<u>11.81</u>	<u>9.44</u>

SHAREHOLDERS' EQUITY

Capital Stock (Notes 2, 3, 4 and 5):		
Class A shares -		
Authorized - 2,000,000 shares with a par value of \$1 each.		
Issued -		
Balance, beginning of year -		
(1967 - 34,620,000 shares,		
1966 - 27,916,000 shares	\$ 34,620.	\$ 27,916.
Add - issued during the year -		
(1967 - 13,355,419 shares,		
1966 - 6,704,000 shares	13,355.	6,704.
Balance, end of year -		
(1967 - 47,975,419 shares,		
1966 - 34,620,000 shares	\$ 47,975.	\$ 34,620.
Common shares -		
Authorized - 100 shares without par value		
Issued (1967 - 8 shares, 1966 - 7 shares)	80.	70.
	<u>\$ 48,055.</u>	<u>\$ 34,690.</u>
Surplus, per statement attached:		
Premium on Class A shares issued	457,128.	317,879.
Deficit	(2,071.)	
Realized profit (loss)		
on sale of investments	10,724.	(14,855.)
Unrealized appreciation		
(depreciation) on investments	52,910.	(10,722.)
	<u>\$566,747.</u>	<u>\$326,992.</u>

Approved on behalf of the Board:

(Signed) John S. Deacon, Director

(Signed) Marvin Z. Mandell, Director

AUDITORS' REPORT

To the Shareholders of
Pension Mutual Fund Limited:

We have examined the balance sheet and statement of investment portfolio of Pension Mutual Fund Limited as at October 31, 1967 and the statements of income, expenses and deficit, premium on Class A shares issued, realized profit (loss) on sale of investments and unrealized appreciation (depreciation) on investments for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, including confirmation of the deposits and securities owned at October 31, 1967 by correspondence with the depositaries.

In our opinion these financial statements present fairly the financial position of the company as at October 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Toronto, November 14, 1967

Pension Mutual Fund Limited
Statement of Income, Expenses and Deficit
Premium on Class A. Shares Issued, Realized Profit (Loss) on Sale of Investments, and Unrealized Appreciation (Depreciation) on Investments
For the Year Ended October 31, 1967
With Comparative Figures for the Year Ended October 31, 1966

INCOME, EXPENSES AND DEFICIT

	1967	1966
Income from investments:		
Dividends	\$ 8,806.	\$ 8,068.
Interest	2,476.	2,549.
	<u>11,282.</u>	<u>10,617.</u>
Expenses:		
Legal and audit fees	5,977.	\$ 3,796.
Printing and mailing expenses	2,557.	1,229.
Management fees	1,522.	
Safekeeping charges	1,453.	653.
Filing fees	1,280.	113.
Transfer agent's fees	464.	729.
Income and capital and place of business taxes	100.	245.
	<u>13,353.</u>	<u>6,765.</u>
Net income (loss) for the year applied to dividends paid	(2,071.)	3,852.
Deficit	<u>\$ (2,071.)</u>	<u>3,852.</u>
		<u>\$ —</u>

PREMIUM ON CLASS A SHARES ISSUED

	1967	1966
Balance, beginning of year	\$317,879.	\$ 6,554.
Amount transferred from share capital resulting from reduction in par value	139,249.	251,244.
Premium on shares issued during the year (Note 3)	\$457,128.	61,159.
	<u>\$457,128.</u>	<u>\$318,957.</u>
Deduct - Amount applied to dividends paid		1,078.
Balance, end of year		<u>\$317,879.</u>

REALIZED PROFIT (LOSS) ON SALE OF INVESTMENTS

	1967	1966
Balance, beginning of year	\$(14,855.)	\$ 2,280.
Net profit (loss) on investments sold during the year	30,774.	(17,135.)
	<u>15,919.</u>	<u>\$(14,855.)</u>
Deduct - Dividends paid during the year (Note 5)	5,194.	
Balance, end of year	<u>\$ 10,725.</u>	<u>\$(14,855.)</u>

UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS

	1967	1966
Balance, beginning of year	\$(10,722.)	\$ 8,674.
Net appreciation (depreciation) during the year	63,632.	(19,396.)
Balance, end of year	<u>\$ 52,910.</u>	<u>\$(10,722.)</u>

STATEMENT OF INVESTMENT PORTFOLIO

As at October 31, 1967

	Average Cost	Market Value (Note 1)	% of Total Portfolio
Bonds:			
\$10,000 Great Northern Gas Utilities Ltd., 6% January 15, 1985	\$ 10,075.	\$ 8,300.	1.6
1,000 Government of Canada, 5½% August 1, 1980	997.	945.	.2
	<u>11,072.</u>	<u>9,245.</u>	<u>1.8</u>
Preferred shares:			
500 International Utilities Corporation	18,906.	20,000.	3.9
Common shares:			
4,500 Acklands Ltd.	40,859.	61,875.	12.2
3,000 Brazilian Light & Power Co. Ltd.	42,269.	39,000.	7.7
2,000 CHUM Limited, Class A	35,810.	37,000.	7.3
2,100 Dale-Ross Holdings Ltd.	25,231.	18,900.	3.7
600 Demison Mines Ltd.	36,245.	50,100.	9.9
3,000 Great Lakes Nickel	12,660.	12,000.	2.3
800 International Utilities Corporation	30,048.	31,900.	6.3
2,000 Levy Industries Ltd.	38,937.	66,000.	13.3
400 M. Loeb Limited	6,217.	5,400.	1.0
2,000 The Oshawa Wholesale Ltd., Class A	42,775.	49,000.	9.7
1,000 Rio Algom Ltd.	34,445.	34,000.	6.9
1,100 Scintrex Ltd.	19,291.	18,775.	3.2
4,500 Sherritt Gordon Mines Ltd.	22,514.	21,375.	4.2
1,500 Simpson-Sears Limited, Class A	36,131.	33,750.	6.6
	<u>423,432.</u>	<u>477,075.</u>	<u>94.3</u>
	<u>\$453,410.</u>	<u>\$506,320.</u>	<u>100.0</u>

NOTES TO FINANCIAL STATEMENTS

October 31, 1967

- The market value of the investment portfolio has been determined in the following manner:
 - Stocks traded on The Toronto Stock Exchange have been valued at the price of the last Board lot sale prior to the close of business on October 31, 1967 or, if there was no sale during the day, at the average of the closing bid and asked price.
 - Stocks not listed on The Toronto Stock Exchange and bonds have been valued at prices quoted by investment dealers at October 31, 1967.
- By supplementary letters patent dated January 30, 1967, the authorized capital stock of the company was increased by the creation of an additional 1,900,010 Class A shares with a par value of \$1 each.
- During the year ended October 31, 1967, 13,355,419 Class A shares were issued for \$152,604.43 of which \$13,355.41 has been allocated to share capital and \$139,249.02 to premium shares issued. The issue price of each Class A share of the company is an amount equal to the net asset value of each share outstanding at the date of issue.
- Class A shares are redeemable at the net asset value per share at the option of the holder in accordance with the provisions of the company's charter; no Class A shares have been redeemed to October 31, 1967.
- In applying accounting principles to dividend payments the company has adopted the policy of charging dividends first to earned surplus to the extent that earnings are available, secondly to realized profit on sale of investments to the extent that they are available and thirdly to premium on Class A shares issued. As operations during the year ended October 31, 1967 resulted in a loss and there was no carry-forward balance of earned surplus, the company charged the dividends paid of \$5,153.90 to realized profit on sale of investments.
- A Statement of Source and Application of Funds is omitted because such a statement is considered inappropriate for a mutual fund.

Pension Mutual Fund Limited

TYPES OF INVESTMENT PLANS OFFERED

1. Single Investment Purchase

Investors may purchase shares of the Fund by lump sum investment in any amount not less than \$100.00.

2. Monthly Savings Plan

Monthly investment plans are available whereby the individual may arrange to invest a monthly amount not less than \$10.00. The plans are terminable at any time by the investor in which case he is entitled to sell the total number of shares he has purchased to date and to receive 100% of the current value of such shares in cash.

3. Withdrawal Plan

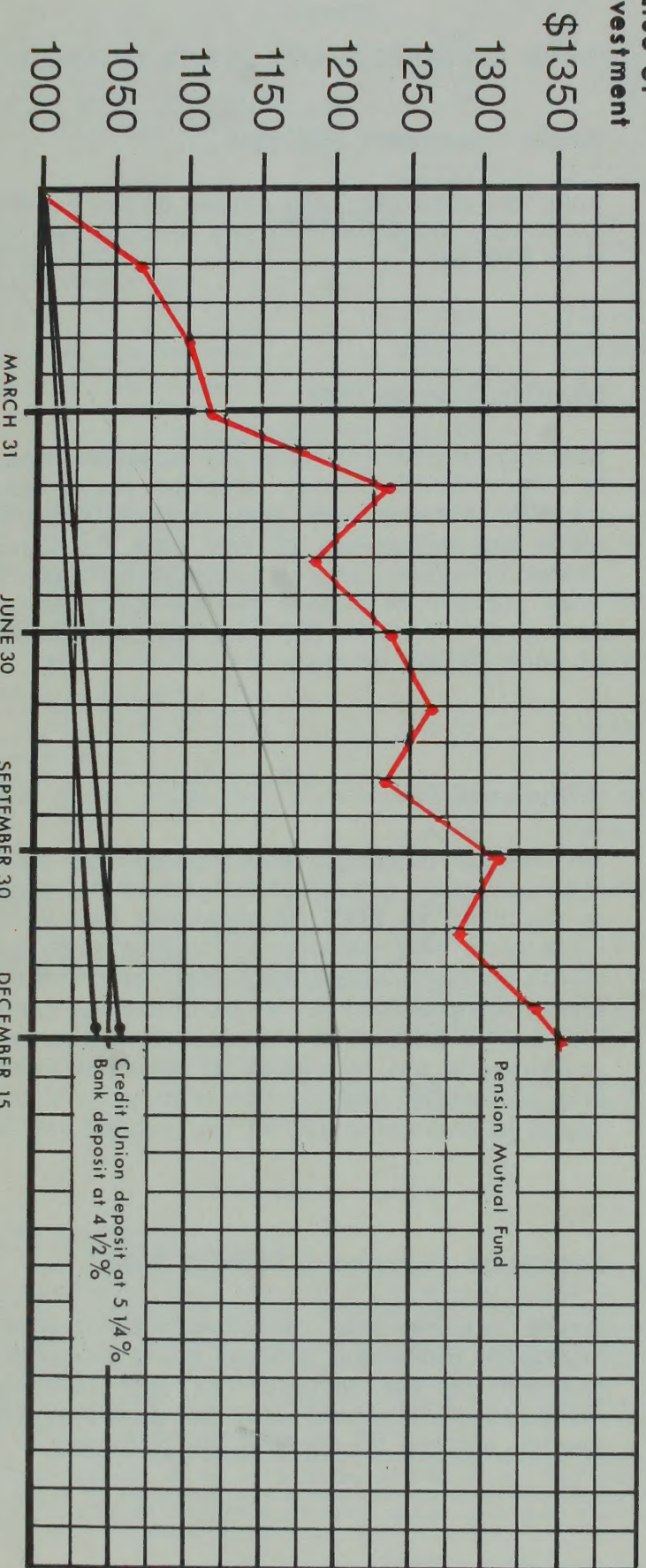
An investor desiring a high income from his investment may deliver all or part of his shares of the Fund to PMF Management Ltd. as administrator and arrange to receive such payments as the investor may designate. The payments are provided for by purchase for cancellation of a portion of the deposited shares. If withdrawals are in excess of dividend income and net capital appreciation it may, of course, result in encroachment on the original capital.

4. Registered Retirement Savings Plan

Under existing law investors may invest in registered retirement savings plans amounts as specified in the Income Tax Act (Canada). Amounts so invested may be deducted from taxable income for income tax purposes.

Value of
Investment

Pension Mutual Fund's Performance



Pension Mutual Fund

Credit Union deposit at 5 1/4%
Bank deposit at 4 1/2%

1967

Growth in share value of Pension Mutual Fund from January 1, 1967 to December 31, 1967 was 40%.